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THE CONSUMER MOVEMENT AND THE FARMER
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It is easier to describe the consumer movement than to define the consumer. Who and what the consumer is each one of us figures out in our own way. I shall not attempt to reconcile your many different definitions of consumers; but I beg leave to disagree with those who think of farmers on the one hand and consumers on the other as distinct and separate and even conflicting groups of people. Farmers of course are all consumers. Farmers as consumers have probably brought more interest and intelligence to bear upon the consumer problem than the average consumer in the city. And farmers as organized consumers occupy a leading place in the consumer movement in the United States today. The largest consumer cooperatives in the country are farmer organized, farmer owned and farmer operated.

Because farmers are doing so much along the consumer front both in education and action, the consumer movement touches closely the work of the Extension Service. Through county agents and home extension workers you reach a larger number of adult consumers than any other educational system in the country. The services which extension workers will render to farmers and their families in this consumer movement must depend in large part upon what they understand to be the objectives of that movement.

The consumer movement may be most briefly described as organized curiosity. What is it that consumers want to know? They want to know the quality of goods that are offered for sale, and they want to know what are fair prices for those goods and what higher or lower prices they should pay for higher or lower quality if they are to get their

money's worth. In addition they want to understand how laws, regulations and trade practices affect the supply of goods to consumer markets, and when prices are fixed, who fixes them and on what basis. And they want to know how the goods they buy may be utilized in order to yield the maximum in service and satisfaction. When consumers get together to find the answers to these questions, they are part of the consumer movement.

From production of raw materials down to final sale of goods across the retail counter economic activity in the modern world is characterized by mass action carried out under organized direction. Both of these are lacking in the usual retail purchase of goods or services by the ultimate consumer. Consumer buying is an individual activity, ~~unorganized~~, uncontrolled, undirected and uninformed. Purchases by business are made on a business basis. Consumer buying is not a business; it is something that business works upon. It is said, for example, that life insurance is not bought, it is sold. The consumer movement, recognizing the truth of this remark, reflects the intention of consumers, through education and organization, to put an end to its truth, to bring it about that life insurance and all other consumer goods shall be bought, not "sold."

The initial drive of consumers is for information about quality. Three questions are to be answered for them under this heading. First, what characteristics determine the usefulness of a given commodity? Consumers know that the streamlining of the vacuum cleaner and the dashboard gadgets of the automobile do

not give these things their value; but they do not know in what terms the real usefulness, economy and money's worth of vacuum cleaners or automobiles can be described. For answers to these questions they want standards established, consumer standards which have meaning to the person who uses the goods. Second, they want to know how the commodity offered for sale measures up according to these standards. That is, they want grades established wherever possible which will classify goods according to their relative worth, so that hidden values and hidden defects can be evaluated by experts for buyers who are not experts. Third, they want the results of these expert services made known to them at the time and place of final purchase. That is, they want grade labeling of all commodities for which standards and grades can be developed.

Consumers acting alone cannot get answers to these questions. Nor can the merchants who sell to consumers answer them, because with rare exceptions they do not know the answers themselves. Therefore, the consumer movement; consumers joining their forces to find out what they need to know. The government offers some services along this line, and laws offer some protections against harmful and dangerous commodities. These services and protections are limited in their scope. They reach the gross deception in a limited number of cases. They are intended to protect rather than to inform. They aim to prohibit the exceptional, rather than to throw light upon the normal. Where their purpose is

to inform, they are for the most part voluntary in application. Note, by way of contrast, with what thoroughness state and national governments seek to protect the consumer when he is investing his money not in goods but in securities. The Federal Securities Act requires that the sale of stocks or bonds to the investor shall be free from fraud and in addition shall be based upon full and adequate information set forth in a printed prospectus describing in minute detail the nature of the security offered. Even the half-truth is under the ban; it is not sufficient that all facts contained in the prospectus shall be true, but other facts may not be omitted when failure to disclose them makes misleading the facts which have been stated.

Consumers' expenditures for investment securities and for speculation are thus protected in meticulous degree and at considerable expense; but consumers' expenditures for the ordinary purposes of living receive no comparable protection. Yet fully two-thirds of our population, those in the income classes where the average citizen lives, have little money to invest. Savings which they might, but probably do not, spend for securities amount to less than 3 percent of what they spend for the necessities of living. Perhaps a natural sympathy arises for the person who is robbed of his lifetime savings by the stock swindler, a sympathy which is not felt for those whose savings never materialize because as they spend their money day after day for food, for clothing and for household necessities their possible savings are whittled away in minute fractions.

But consumers on their own are taking steps to change this condition. Three organizations financed by popular subscription are examining and testing the qualities and prices of merchandise and furnishing the results to their subscribers in terms of money's worth, with trade names and brand names attached. All over the country local informal consumer groups are conducting study programs in consumer problems. Home extension workers are doing a great deal to help farm housewives buy more wisely. Nationwide women's organizations are encouraging this educational movement and are publicizing consumer problems and the steps needed to meet them. Some local consumer groups go further and are showing retailers what they can do to help consumers buy with judgment and with their eyes open. Others go still further and are contracting for price concessions through collective bargaining and are buying at wholesale on combined orders. Finally, they are forming incorporated consumer cooperative associations with paid managers and employees to perform for them this whole complex job of finding out what kind of goods they want, what kind of goods they are getting and what prices they need to pay for them.

In consumers' cooperation the consumer movement steps into the realm of business. For the unequal bargaining power of the individual consumer it substitutes the combined purchasing power of the members who form and control the cooperative association. For the blind buying of the individual consumer it substitutes specifica-

tions and the expert knowledge of those whom it employs to manage its affairs. Having reached back to wholesale sources the cooperatives may, and frequently do when they find it necessary, go further back toward original sources and provide through their own capital for processing, manufacturing, transporting or producing the goods they need.

Consumers' cooperation in different parts of the world is identical in its major purposes, such as we have been considering. But in each country the movement takes on special characteristics peculiar to the environment in which it has grown up. In Great Britain where it is oldest and has built up the greatest volume it has confined itself closely to the major purpose of supplying members with food, clothing and other household necessities. It has gone heavily into manufacturing and processing, producing for itself about one-third of the goods it sells. It has representatives in Parliament, but the cooperative societies as a whole are not a political party. In Sweden the cooperative movement has been distinguished by its flair for trust-busting and for its dramatic success in that field. In Belgium it has long been affiliated with the trade unions and is closely aligned with the Socialist Party. And so on from one country to another. In the United States, it seems to me, its most distinguishing characteristic is the extent to which farmers in recent years have taken a leading role in its development.

More than 2100 farmers' cooperative purchasing associations were in business in 1935, organized chiefly for purchasing but en-

gaged also in cooperative marketing on a small scale. In addition about 2400 farmers' marketing cooperatives reported in that year that they did some cooperative buying. Sales of 254 million dollars by the purchasing associations places that group third among the seven classes of agricultural cooperatives in point of volume, being exceeded by the dairy and the grain marketing associations, slightly larger than the fruit and vegetable and livestock groups, and much larger than the cotton and the miscellaneous marketing groups. In number of members, the purchasing group is at the top among agricultural cooperatives.

The volume of business done by all kinds of consumers' cooperatives in the United States is not exactly known. The Cooperative League estimates that it will approach \$500,000,000 in 1936. An incomplete listing accounts for 7,200 associations, of which more than 5,000 are retail store societies and gasoline and oil cooperatives. This number does not include farm associations purchasing only farm supplies and nothing for the farm home. Recital of the lines of consumer cooperative activity included in the list illustrates the scope of the movement. It includes, in order of number of associations, the retail store and gasoline and oil societies; telephone; insurance; light, power and water including rural electrification; hotels, restaurants and boarding houses; fuel; housing; burial; educational; publishing; laundries and dry cleaning; bakeries; hospital and medical services; auditing; recreational; milk distribution; garages; manufacturing; mail order houses; management; organization; and library.

More than 5,000 credit unions have been organized to handle savings and loans for families of moderate means, the cooperative answer to the high cost of installment buying and the high rate of interest on commercial small loans. Of this number 1800 are organized under federal charter.

In spite of this wide range of cooperative activity, the proportion of goods and services purchased cooperatively in this country is still small. Possibly one percent of total retail store sales of merchandise is through cooperative channels. Until an accurate enumeration of cooperative business has been made we will not know to what extent it competes with other distributors in various lines of trade.

In the field of cooperative purchasing by farmers better figures are available. 2,112 such associations reported a business of \$254,000,000 in 1935, of which only \$7,000,000 was cooperative marketing. In addition approximately 2,400 farmers' marketing associations reported cooperative purchases of \$68,000,000 in that year. The total of \$315,000,000 of cooperative purchasing business includes some duplication of wholesale and retail business. It includes only commodity sales, however, and does not include insurance written cooperatively by farmers' associations or the value of services rendered by their telephone, water and irrigation and rural electrification cooperatives.

While consumers' cooperation in the aggregate does not account for a large share of distribution business in this country, it has been showing a remarkable growth in recent years and,

especially in the farm field, can point to a number of associations of considerable size. The Cooperative G. L. F. Exchange in New York reported a \$40,000,000 business in the year ended last June 30. The Eastern States Farmers' Exchange topped \$14,000,000, and the Illinois Farm Supply Company \$10,000,000 in 1935. The Southern States Cooperative business was close to \$6,000,000. The Ohio Farm Bureau Cooperative, the Indiana Farm Bureau Cooperative and the Farmers Union Central Exchange at St. Paul each exceeded \$4,000,000. Three other wholesale cooperatives, handling chiefly petroleum products each sold more than \$2,000,000 at wholesale in that year. The Michigan Farm Bureau just reached \$2,000,000 in 1935 with a gain of 100 percent over 1934. The Farm Bureau Mutual Automobile Insurance Company organized by the Ohio Farm Bureau ten years ago with initial capital of \$10,000 now has 160,000 policies in force in eight eastern states, its assets are more than five and a quarter million dollars, and it is the eighth largest mutual casualty company in the United States.

National Cooperatives, Inc., has been organized to combine the purchases of petroleum products and other lines for eight wholesale cooperative associations, including most of those enumerated above. Its business in 1935 was \$25,000,000. Behind it also are the Central Cooperative Wholesale in Wisconsin and the Eastern Cooperative Wholesale in New York City, both of which buy foods and other goods for retail cooperatives in towns and cities. Through these member associations and others affiliated with them, National Cooperatives, Inc., can make purchases of gasoline and oil for farmers in twenty-four states.

It is buying farm implements made to its specifications and a tractor designed to the needs of its farmer members.

What are the implications of this development of consumers' cooperation, farm consumers and urban consumers working together? As a system of business enterprise, what does it mean to other forms of business organization? It is self evident that an increasing volume of goods distributed in a cooperative way will affect the volume handled by commercial enterprise. The success of one kind of business may mean injury to another form, but in considering the effect of this competition we should distinguish the business from the individuals who are engaged in it. Individuals engaged in the business of distribution already eliminate each other at a remarkably rapid rate. They do not necessarily become unemployed because they fail to succeed as business man. If the growth of cooperation speeds up that turnover, it might also be expected to provide an alternative opportunity of employment to those who fail to make the grade on their own.

As for competition between the system of cooperation and the system of commercial business, the Chamber of Commerce of the United States has recently said that the outcome should be determined according to their respective merits. To the Chamber of Commerce this means that consumers' cooperation should receive no preferential treatment from governments, and to cooperative spokesmen it means

that the cooperative system must be protected from interference by those who now occupy the field. It is feared that those who see their position threatened by the new development will be unwilling to leave the outcome to be decided on the basis of merit alone. The newcomers see that priority gives an advantage, as for example when it gives support to legislation proposed for the purpose of freezing methods of distribution in present patterns.

In comparing the established forms of business with consumers' cooperatives it is worth while to reduce to simplest terms the differences between them. Business as organized today is not strictly private. For the most part its capital is recruited from the public, from a group of investors who venture their savings in the enterprise in the hope of receiving their share of the profits. The cooperative association also starts with a public group, but the members of that group are the customers of the enterprise as well as the sources of its capital. Whereas so-called private business enlists public aid through the investment market, the cooperative enlists it in the consumers' market where the enterprise originates. The important difference between them is that the public group behind the private business is looking for profit while the public group behind the cooperative is looking for goods or services which they themselves propose to use.

Since investors in the ordinary business are interested in that business chiefly as a source of profit or income, they concern themselves little, and for the most part not at all, with its management. If it brings them too little profit they take their money out

and put it elsewhere. A member of the cooperative association, however, invests his money in it because he intends to be its customer. He is concerned how the business is run because it will affect not only whether he gets a return on his investment but also whether he gets his money's worth in the goods he buys.

Because it is organized and operated by its customers, the consumer cooperative acquires at relatively little cost one asset which other kinds of business spend large sums to acquire and to retain, the goodwill of its customers. That feature of the cooperative system is a source of strength as a competitor in the field; but that strength is also its weakness. Consumers of a given group of products do not automatically form themselves into a group of investors and set themselves up in business. And once consumers have entered upon their enterprise, they have only begun the task of providing themselves with goods according to their requirements. They must retain an active interest in the affairs of their business or it will not succeed as a cooperative venture.

Business on this basis calls for an intelligent and persevering body of stockholders and for scrupulously honest and unselfish management. Both stockholders and management must be motivated by ideals that look to the modest welfare of the many, rather than the enrichment of a few; bargain hunters, profiteers and supersalesmen are not welcome in cooperative circles. These standards are not easy to come by, but once acquired they are valuable assets. Indeed the fact that consumers' cooperation has become a factor of major importance in other countries and has made a healthy beginning in the United States is

a tribute, not to the magic of a new formula, but to the initiative and industry of ordinary people and to the competence and integrity of those who are content to be the leaders of ordinary people.

Finally I wish to speak of the farmers' interest in the consumer movement. The rapid growth of farmers' cooperative buying associations has already been noted. But question arises whether the farmer's real interest is in consumer action or whether his cooperative buying is merely incidental to the producing business of the farm.

Much of what the farmer buys is for use in production. In this he differs from the city worker, all of whose purchases are normally for personal consumption. But while the purposes of farmers' and city workers' purchases are different, the ways in which they make those purchases are very much alike. The individual farmer may buy for a business purpose, but he does not buy ^{on} a business basis. To buy on a business basis is to buy as business buys, with knowledge of what is needed, with knowledge of what is obtained, and with at least some understanding of how the price is arrived at. All the way down the production and distribution line, from the time when the raw materials leave the farm or the mine, goods pass along through a series of purchases made on a business basis. Only when they come to the final sale do they find a non-business buyer awaiting them, the ultimate consumer who alone puts them to use but knows least how to buy them.

When individual farmers organize to buy collectively and thereby have something to say about prices and grades and quality specifications, they are doing what city people do when they buy cooperatively. The purpose of both is to convert the haphazard final sale into a

business transaction. This important change is accomplished by farmers' cooperation whether the commodity purchased be feed for the farm or flour for the farm home, gasoline for the tractor or gasoline for the family car.

There are many who say, however, that the primary interest of farmers is not in buying but in producing; that much of what they buy is incidental to what they sell; that farming is a business and that the farmer is a business man. And if this is true it would follow that farmers should concentrate upon the business job of selling their products and seeing to it that they get their price. By like reasoning the city worker should organize solely to see that he gets his price for what he has to sell. Let each group sell to the other and make the most of it, according to this doctrine.

It is possible, however, that when farmers organize in a program which aims only to serve the interest of farmers as sellers they may thereby impose upon the interest of farmers as buyers. For city consumers are not the farmers' only customers. Probably one-third of the money which farmers spend in the purchase of goods is spent for goods originating on other farms. Farmers are each others' customers. Organization with the sole purpose of marketing farm products may serve to divide farmers. Murray Lincoln of the Ohio Farm Bureau Federation has pointed this out, and he points out also that when farmers organize to buy cooperatively they have a purpose which serves to unite all farmers in a common program.

Likewise, as Mr. Lincoln also has called to our attention, farmers and city workers are divided by programs which concentrate

upon their separate purposes as sellers and neglect the purposes which as buyers they have in common. Both farmers and city people buy gasoline and oil. They have the same interest in assuring themselves that they are getting products which will do the job, and that the price they pay for them is commensurate with what they get. If measures which farmers take to assure themselves of these things are measures which urban consumers can also take for their own benefit, a uniform consumer program may prove serviceable to both.

Advocates of this view may well claim that neither farmer nor wage earner builds soundly if he organizes only to sell and not to buy. Only the speculator who lives in the hope of making a killing can afford to give all his attention to bringing in money, leaving expenditures to take care of themselves. Sound business does not adopt that policy. Least of all can farmers and wage earners think only of income and ignore what their income buys for them. People who work for a living come out second best when they stake everything on making the other fellow pay. There are others between them who can turn such efforts to their own advantage.

Both in city and country the consumer movement springs from the knowledge that shears with only one blade don't cut anything. The level of material welfare among farmers and city workers is not measured only in prices or wages received. It is determined as well by what they need to pay for the goods they buy, and by the kind of

goods they get for the money they spend. Farmers want parity - a ratio of prices received to prices paid. And so does labor. The question between them is whether they should pursue these ends in terms of price tags alone - a pursuit that may cancel the gains of the one against the gains of the other, or whether they should unite in a program that measures results in terms of quantity and quality of goods consumed.

I suggest that you read what the leaders of the farmers' consumer business are saying about their objectives. Over and above the problems of paying the right prices and getting what they pay for, I think you will find in their program a purpose to increase the aggregate quantities of goods consumed. When people begin to act together as consumers they begin to think together as consumers also. They begin to understand in the most matter of fact way imaginable that prices, wages, and incomes are only means to an end. While higher prices and higher wages serve as immediate objectives of organization by farmers and by wage earners, only when those gains result in increased quantities of things consumed is the standard of living of all groups together raised to permanently higher levels. I think this fairly expresses the philosophy of the consumer movement.